Benchmarking is a fast route to mediocrity

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It is normal to assume that visiting other organisations might teach us something, I used to think so too.

Taiichi Ohno, the man who created the Toyota Production System insisted that managers who study other organisations are looking in the wrong place. Everything you need to know to improve performance is in your own system, he said, but you need to learn how to look.

Consider this: Portsmouth City Council's housing service delivers repairs on the day and at the time tenants want them done, and they have slashed the costs of repairs. It is a true economic benchmark, comparable to Ohno's production system. If BT could do it we'd all cheer! Could Portsmouth have achieved it by visiting others? It's the same joke as used to be told about Toyota - if Toyota went benchmarking it would stop improving.

The current proposal to benchmark unit costs serves up further and more pernicious risks. Leave aside the problems with definition, the ensuing bureaucracy for measurement and reporting and arguments about validity, reliability and comparability: focusing on unit costs drives costs up and this 'improvement' initiative is more likely to make services worse.

Ohno tolerated high unit costs because he learned that cost was associated with flow, not activity. The leaders in Portsmouth know, like Ohno, that we should manage value, not cost. Managing value drives costs out of a system. Managing costs – for example scale thinking, shared services, activity costs, 'channel' costs, schedule of rates, protocols and payment for results in health – drives costs up.

The proposals for benchmarking unit costs, in Ed Miliband's language, represent a failure to 'get it'. The obsession with cost was at the heart of the failure of the reform regime, these proposals carry forward the same disease. In the worst case they will drive costs up. In the best case they will drive services to mediocrity, but they will never deliver innovation. My advice is: just say no.

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